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**BLACK PHOTO CORPORATION LIMITED**

**ANNUAL REPORT 1979**

# BLACK PHOTO CORPORATION LIMITED

## Financial Highlights

	1979	1978
Sales	\$30,602,424	\$28,374,009
Net Earnings	2,585,432	1,967,171
Working Capital	7,729,252	6,578,297
Total Assets	13,686,219	12,812,550
Shareholders' Equity	10,409,208	8,682,126
Earnings per Share	\$2.40	\$1.82
Shares Outstanding	1,078,000	1,078,000

### Directors and Officers

William E. Black  
*Chairman and President*

Robert F. Black  
*Director and Vice-President*

William J. Huntley  
*Director and Secretary-Treasurer*

George W. Copeland, Q.C.  
*Director*

Barry J. Black  
*Director*

Donald E. Boxer  
*Director*

Robert J. McMullen  
*Director*

Bruce H. Black  
*Director*

### Head Office

10 Dyas Road, Don Mills, Ontario

### Subsidiaries

Eddie Black's Limited  
10 Dyas Road, Don Mills, Ontario  
Educational Film Distributors Limited  
285 Lesmill Road, Don Mills, Ontario  
R & H Products Limited  
743 Renaud Avenue, Montreal-Dorval, Quebec

### Auditors

Messrs. Coopers & Lybrand  
145 King Street West, Toronto, Ontario

### Solicitors

Messrs. Bjarnason & Copeland  
Toronto, Ontario

### Transfer Agent

Canada Permanent Trust Company  
20 Eglinton Avenue West, Toronto, Ontario

### Stock Listing

BPK – The Toronto Stock Exchange

### Underwriter

Burns Fry Limited  
Toronto-Dominion Centre, Toronto, Ontario

## To Our Shareholders:

Your corporation had another very successful fiscal year. Sales were in excess of 30 million dollars and earnings were over 2.5 million dollars.

Our continued efforts to concentrate on improvements in product lines with higher margins resulted in a significant increase in net earnings.

Our working capital position increased and now exceeds 7.5 million dollars.

During the year, dividends totalling 80¢ were paid on Class A shares and 73.1¢ were paid on Class B shares. A dividend of 18¢ was paid on both Class A and Class B shares after December 31, 1978. Due to changes in income tax legislation, this dividend does not reduce the adjusted cost base of the Class B shares.

Black's Camera Stores attained excellent increases in sales volume and added three new locations during the year. One is in Bayfield Mall, Barrie and the other two in Ottawa – on Bank Street and in Carlingwood Mall.

Photofinishing operations continued to show good results due to increased volume and further upgrading of production equipment. The first year of operation of our branch plant in Ottawa produced results which exceeded our original forecast.

Our Audio Visual Division reduced its rate of decline in sales and with reduced expenses came closer to a break even this year.

Educational Film Distributors Ltd. results continued at a low level and as a consequence the inventory, accounts receivable and distribution rights were disposed of April 1, 1979.

R & H Products Limited had a decrease in both sales and profits. The sale of this subsidiary to Fuji Photo Film Company Limited of Tokyo was successfully completed effective immediately subsequent to the end of our fiscal year.

As a result of these disposals there will be a decline in total sales volume and it is expected that earnings will be reasonably static in this next fiscal year. The entire efforts of management will now be concentrated on the improvement and expansion of our retail operations and there is confidence that the ensuing years will show a return to higher sales levels with corresponding increases in earnings.

I would like to express sincere gratitude for the continued support of our customers, employees and suppliers for their part in our past successes and look forward to continued good relations in the future.

William E. Black, President.



# BLACK PHOTO CORPORATION LIMITED

## Consolidated Balance Sheet

as at March 31, 1979

### ASSETS

	1979	1978
CURRENT ASSETS		
Cash and short-term deposits	\$ 4,285,691	\$ 2,848,991
Accounts receivable	1,221,495	1,450,877
Inventories	5,396,179	6,262,642
Prepaid expenses	50,639	88,451
	<hr/> 10,954,004	<hr/> 10,650,961
MORTGAGE LOAN RECEIVABLE (note 2)	68,620	—
FIXED ASSETS (note 3)	2,663,595	2,161,589

### SIGNED ON BEHALF OF THE BOARD

William E. Black, Director

William J. Huntley, Director

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\$13,686,219

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\$12,812,550

## LIABILITIES

	1979	1978
CURRENT LIABILITIES		
Bank indebtedness	\$ —	\$ 1,347,656
Accounts payable and accrued liabilities	2,167,592	2,119,700
Income taxes payable	1,057,160	605,308
	<u>3,224,752</u>	<u>4,072,664</u>
LONG-TERM DEBT (note 4)	52,259	57,760
	<u>3,277,011</u>	<u>4,130,424</u>

## SHAREHOLDERS' EQUITY

SHARE CAPITAL (note 5)		
Authorized —		
4,601,000 shares without par value		
Issued and fully paid —		
1,078,000 shares (1978 – 1,078,000)	1,377,831	1,377,831
Unpaid subscription (note 5)	4,050	8,100
	<u>1,373,781</u>	<u>1,369,731</u>
RETAINED EARNINGS	9,035,427	7,312,395
	<u>10,409,208</u>	<u>8,682,126</u>
	<u>\$13,686,219</u>	<u>\$12,812,550</u>

## Consolidated Statement of Earnings and Retained Earnings

for the year ended March 31, 1979

	1979	1978
NET SALES	<u>\$30,602,424</u>	<u>\$28,374,009</u>
EXPENSES		
Operating costs and other expenses	25,303,256	24,234,331
Depreciation and amortization	597,505	467,760
Interest –		
Long-term debt	4,441	4,806
Other	32,623	110,526
	<u>25,937,825</u>	<u>24,817,423</u>
	4,664,599	3,556,586
PROVISION FOR INCOME TAXES	<u>2,079,167</u>	<u>1,589,415</u>
NET EARNINGS FOR THE YEAR	<u>2,585,432</u>	<u>1,967,171</u>
RETAINED EARNINGS – BEGINNING OF YEAR	<u>7,312,395</u>	<u>5,601,835</u>
	<u>9,897,827</u>	<u>7,569,006</u>
Dividends paid (note 6)	825,479	235,158
Tax paid on 1971 undistributed income	36,921	21,453
	<u>862,400</u>	<u>256,611</u>
RETAINED EARNINGS – END OF YEAR	<u>\$ 9,035,427</u>	<u>\$ 7,312,395</u>
EARNINGS PER SHARE	<u>\$2.40</u>	<u>\$1.82</u>

## Consolidated Statement of Changes in Financial Position

for the year ended March 31, 1979

	1979	1978
SOURCE OF WORKING CAPITAL		
Net earnings for the year	\$ 2,585,432	\$ 1,967,171
Items not affecting working capital –		
Depreciation and amortization	597,505	467,760
Provided from operations	3,182,937	2,434,931
Receipt of share subscription (note 5)	4,050	4,050
	<u>3,186,987</u>	<u>2,438,981</u>
USE OF WORKING CAPITAL		
Tax paid on 1971 undistributed income	36,921	21,453
Dividends paid (note 6)	825,479	235,158
Additions to fixed assets (net)	1,099,511	902,040
Decrease in long-term debt	5,501	5,110
Mortgage loan receivable	68,620	—
	<u>2,036,032</u>	<u>1,163,761</u>
INCREASE IN WORKING CAPITAL	1,150,955	1,275,220
WORKING CAPITAL – BEGINNING OF YEAR	6,578,297	5,303,077
WORKING CAPITAL – END OF YEAR	<u>\$ 7,729,252</u>	<u>\$ 6,578,297</u>



## Notes to Consolidated Financial Statements

for the year ended March 31, 1979

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed in the preparation of these consolidated financial statements:

#### *Principles of consolidation*

These consolidated financial statements include the accounts of Black Photo Corporation Limited and its wholly-owned subsidiaries Eddie Black's Limited, Educational Film Distributors Limited and R & H Products Limited.

#### *Inventories*

Inventories represent finished products purchased from suppliers. They are valued at cost as determined on a first-in, first-out basis which is, in the aggregate, lower than replacement cost and net realizable value.

#### *Fixed assets*

Fixed assets are recorded in the accounts at cost. Depreciation is determined on the declining balance method at rates of 5% for buildings, 20% for furniture, fixtures, machinery and equipment and 30% for motor vehicles. Leasehold improvements are amortized on a straight-line basis over the terms of the leases. Expenditures for maintenance and repairs are charged to earnings as incurred.

#### *Translation of foreign currencies*

Assets and liabilities in foreign currencies have been translated at rates approximating those prevailing at year-end. Income transactions have been translated into Canadian dollars at rates in effect on the dates of the transactions.

#### *Income taxes*

Tax allocation accounting procedures are followed by the company. Deferred income taxes are not separately disclosed as they are not material.

### 2. MORTGAGE LOAN RECEIVABLE

During the year, the company granted a mortgage loan to a key employee. The mortgage bears interest at 5% and is due December 31, 1983.

### 3. FIXED ASSETS

Fixed assets and related accumulated depreciation and amortization are classified as follows:

	1979		1978	
	Cost	Accumulated depreciation and amortization	Net	Net
Land	\$ 94,077	\$ —	\$ 94,077	\$ 94,077
Buildings	556,319	215,493	340,826	329,919
Furniture, fixtures, machinery and equipment	4,236,787	2,455,405	1,781,382	1,373,017
Motor vehicles	225,762	106,525	119,237	116,956
Leasehold improvements	747,643	419,570	328,073	247,620
	<u>\$5,860,588</u>	<u>\$3,196,993</u>	<u>\$2,663,595</u>	<u>\$2,161,589</u>

### 4. LONG-TERM DEBT

Long-term debt represents a 7½% mortgage loan due March 1987. Blended monthly payments of approximately \$800 are made under the terms of the mortgage to retire the debt.



## 5. SHARE CAPITAL

The number of authorized and issued shares at March 31 is as follows:

	1979		1978	
	Authorized	Issued	Authorized	Issued
Class A shares	1,801,100	579,100	1,648,700	426,700
Class B shares	2,798,900	498,900	2,951,300	651,300
Common shares	1,000	—	1,000	—
Total	<u>4,601,000</u>	<u>1,078,000</u>	<u>4,601,000</u>	<u>1,078,000</u>

During the year there was a net increase of 152,400 in number of authorized and issued Class A shares (1978 — increase in Class A shares of 26,400) as a result of the exercise of the conversion rights.

The Class A and Class B shares are voting, convertible into one another on a share for share basis and rank equally with respect to dividends and in all other respects. The only distinction between the two classes is that the directors may specify that cash dividends paid before December 31, 1978 on Class B shares be out of 1971 tax-paid undistributed surplus on hand and 1971 capital surplus on hand (as those expressions are defined in the Income Tax Act of Canada). The receipt of such dividends by the Class B shareholders results in a reduction of the adjusted cost base of their shares with the effect that any gains realized on the disposal of the shares will be increased (or any losses reduced) for capital gains purposes.

The unpaid subscription of \$4,050 (1978 — \$8,100) relates to shares issued under a former stock option plan and is payable in one instalment of \$4,050 by August, 1979.

## 6. DIVIDENDS

The following dividends have been declared and paid during the years ended March 31:

	1979		1978	
	Per Share	Total	Per Share	Total
Class A shares	80.0¢	\$447,022	24.0¢	\$113,593
Class B shares	73.1¢	378,457	20.4¢	121,565
		<u>\$825,479</u>		<u>\$235,158</u>

A dividend of 18¢ per share was paid on both Class A and Class B shares after December 31, 1978. Due to changes in income tax legislation, this dividend does not reduce the adjusted cost base of the Class B shares.

## 7. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Remuneration of directors and senior officers as defined by The Business Corporations Act (Ontario) amounted to \$289,186 (1978 — \$264,294).

## 8. LEASE COMMITMENTS

The total rental expense during the year ended March 31, 1979 under leases (including additional rent payable as a percentage of sales) was \$887,585 (1978 — \$680,669).

Minimum annual commitments under non-cancellable leases with terms of more than one year approximate \$453,548 for the year ended March 31, 1980 and average \$313,000 per year for the next four fiscal years.

## 9. SUBSEQUENT EVENTS

Subsequent to March 31, 1979, the company sold the shares of R & H Products Limited and the accounts receivable, inventories and distribution agreements of Educational Film Distributors Limited. Neither of these transactions resulted in a significant gain or loss.

## Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Black Photo Corporation Limited as at March 31, 1979 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Toronto, Ontario  
June 7, 1979

In our opinion, these consolidated financial statements present fairly the financial position of the company as at March 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand  
Chartered Accountants

Historical Financial Review	1979	1978	1977	1976	1975
Net Sales	\$30,602,424	\$28,374,009	\$23,359,172	\$20,913,497	\$17,943,460
Net Earnings	2,585,432	1,967,171	842,483	1,058,972	954,858
Earnings per Share	\$2.40	\$1.82	\$1.12*	99¢	89¢
Dividends paid	\$ 825,479	\$ 235,158	\$ 214,824	\$ 194,867	\$ 156,748
Current Assets	10,954,004	10,650,961	7,747,252	6,911,785	5,773,652
Current Liabilities	3,224,752	4,072,664	2,444,175	2,363,236	1,911,360
Total Assets	13,686,219	12,812,550	9,474,561	8,778,421	7,470,001

\*78¢ after extraordinary item.





